

# PRICE SCANNING INSPECTION PROGRAM

## FACT SHEET No. 7

Periodic inspections of electronic price scanning systems are conducted in order to verify that prices charged at the checkout counter are the same as advertised prices or prices displayed on shelf tags. Electronic pricing systems utilize “bar codes” or Universal Product Codes (UPCs) that are read by price scanning equipment. Most grocery stores use PLU (Price Look-Up) codes to identify produce or deli items. During price scanning inspections, the selection of products for price checks is “randomized” by dividing the store into areas and picking an equal number from each area. The number of products checked is 25, 50 or 100 items depending on the size of the store. A store fails the inspection if there are more than 2% overcharges.

### PRICING ACCURACY

	<u>U.S.</u> <u>[1998]</u>	<u>Seattle</u> <u>[1/05-11/05]</u>
<b>Total Errors</b>	<b>3.36%</b>	<b>2.7%</b>
<b>Undercharges</b>	<b>1.65%</b>	<b>1.6%</b>
<b>Overcharges</b>	<b>1.70%</b>	<b>1.1%</b>
<b>Failed Inspections</b>	<b>28.8%</b>	<b>7.9%</b>

Source: (1) FTC/NIST Price Check II: A Follow-Up Report on the Accuracy of Checkout Scanner Prices 912/16/98). Analysis of 1,669 inspections in 36 states and the U.S. Virgin Islands. (2) Seattle statistics based on 302 inspections conducted during 1/1/05-11/29/05. There were 24 failures. There are approximately 379 stores that use price scanning in Seattle.

### NO-OVERCHARGE INSPECTIONS AND FAILED INSPECTIONS

<u>Year</u>	<u>No</u> <u>Overcharges</u>	<u>Failed</u> <u>Inspections</u>
<b>2000</b>	<b>44.0%</b>	<b>17.6%</b>
<b>2001</b>	<b>42.8%</b>	<b>12.2%</b>
<b>2002</b>	<b>44.7%</b>	<b>14.3%</b>
<b>2003</b>	<b>44.7%</b>	<b>11.0%</b>
<b>2004</b>	<b>58.5%</b>	<b>9.0%</b>
<b>2005 (-Nov 29)</b>	<b>57.0%</b>	<b>7.9%</b>

Source: Price scanning inspection reports.

Notes: (1) Zero overcharges doesn't mean no errors. (2) Failed inspections mean that there were more than 2% overcharges. (3) 2005 statistics (to date): 18,594 items checked, av. overcharges 1.1%, 41.0% no-error inspections.

The City of Seattle began conducting price scanning inspections in the 1990s. Initially, the emphasis was on large grocery stores which pioneered price scanning. Later, other large retail stores were added. During the past few years, price scanning systems have been installed even in small convenience stores. Currently, there are nearly 400 stores that use price scanning systems. Price scanning inspections are unannounced and are usually conducted annually.



### Applicable Laws and Regulations:

#### **Washington**

- Revised Code of Washington (RCW), Section 19.94.390 “Price not to be Misleading” [civil penalty \$1,000 – RCW 19.94.510]
- Washington Administrative Code (WAC), Section 16-662-105(3)(c) [adopts *Examination Procedures for Price Verification* contained in NIST Handbook 130]

#### **Seattle**

- Seattle Municipal Code (SMC), Section 7.04.505 “Misrepresentation of Price” [criminal misdemeanor \$200 fine or 3 mos. Imprisonment – SMC 7.04.690B]
- Seattle Ordinance No. 120976 effective January 1, 2003 [Rev. SMC 7.04.145B, 7.04.645] [adopts a price scanning system registration fee to support inspection program]

### Applicable National Standards:

#### **National Conference on Weights and Measures (NCWM)**

- NCWM Publication 19 *Examination Procedures for Price Verification* (August 1995) [also printed in National Institute of Standards and Technology (NIST) Handbook 130]

Web Sites: [www.cityofseattle.net/consumeraffairs](http://www.cityofseattle.net/consumeraffairs) and [www.cityofseattle.net/consumerprotection](http://www.cityofseattle.net/consumerprotection)